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ABSTRACT

This publication will provide the general public and the educational community with a summary of interpretations, policies, and procedures established by the Pennsylvania Department of Education for the administration of the basic instructional subsidy. Pennsylvania schools are funded by a complicated state and local financial partnership spelled out by the General Assembly. State funds are distributed to supplement funds raised locally and to mitigate the differences between school districts' ability to raise funds and their need for funds. Three factors are multiplied to compute the basic subsidy that applies to all districts. These factors are the number of students to be educated (weighted average daily membership), local wealth (the market value/personal income aid ratio), and a measure of local tax effort (earned base). Three additional factors affect some school districts' total instructional subsidy--sparsity factors, density factors, and poverty factors. All these factors are discussed in detail and sample calculations are given. A glossary of terms is included. (Author/IRT)

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Act 59 Subsidy Primer

How Our Schools Are Financed

EA 010 232

Pennsylvania Department of Education 1977

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ABSTRACT

Pennsylvania schools are funded by a complicated state and local financial partnership. The General Assembly has spelled out the terms of this partnership in school laws. School districts are given taxing authority to raise funds to support schools. The state also levies taxes to support education. State funds are distributed to supplement funds raised locally and to mitigate the differences between school districts' ability to raise funds and their need for funds.

The Basic Instructional Subsidy is designed to support public schools and to provide that support where the need is greatest. Many factors could be considered in determining need; some of these are considered in the formula for the Basic Instructional Subsidy.

One of the most important factors in determining the cost of education--or need--is the number of students to be educated. Therefore, the basic unit in the Basic Instructional Subsidy formula is the number of students in a school district or students in average daily membership (ADM). But it does not cost the same to educate all students. The cost of educating kindergarten students who attend school only half a day is less than for elementary school students who attend school a full day. It generally costs less to educate an elementary school student than it does to educate a secondary school student. Taking this difference of cost or need into consideration, the General Assembly has chosen to weight students differently for state subsidy purposes. The result is the weighted average daily membership (WADM), which is used in all of the calculations of the Basic Instructional Subsidy.

While the WADM is the basic unit for determining need for money for education, other factors also determine need. Some school districts--low wealth districts--can raise much less money for each student in their schools than other school districts can with the same local tax effort. Therefore, the Basic Instructional Subsidy takes into consideration the school district's ability to pay for education--or its local wealth. This is done by comparing the value of the taxable property per WADM in a school district with the taxable property per WADM in the state as a whole. The result is the market value aid ratio.

In addition to using property as a measure of wealth, the General Assembly has chosen to use personal income. Act 59 amended the Basic Instructional Subsidy formula to take into consideration this additional measure of local wealth. It is done by comparing the taxable personal income per WADM in a school district with the taxable income per WADM in the state as a whole. The result is the personal income aid ratio.

To develop an aggregate measure of local wealth, one must add 60 per cent of the market value aid ratio to 40 per cent of the personal income aid ratio. The result is the market value/personal income aid ratio used in the basic instructional subsidy formula. The aid ratios reflect an inverse relationship between local wealth and state wealth. Thus, a relatively wealthy district has a low aid ratio and a district with relatively low wealth has a high aid ratio.

The weighted average daily membership (WADM) and relative local wealth or market value/personal income aid ratio measure need, but neither accounts for the cost of education. Another factor is needed in the Basic Instructional Subsidy formula to reflect the cost of educating each student. For many years, the average instructional expense, or a

figure set by statute, was used to establish "the cost of educating a student." Most recently that figure was $750.

Act 59 both raised that figure and changed the method of computing it. Under Act 59, not all school districts are paid on the basis of the same dollar cost per student, and the specific dollar figure is not set in the statute. School districts earn their reimbursement according to the relative value they place on education, according to the degree to which they are willing to tax themselves to support education. School districts willing to tax themselves more are reimbursed at a higher level per student. The highest level or dollar base for reimbursement is the state median instruction expense. School districts making a lower tax effort are assigned a lower dollar base for reimbursement.

These factors--number of students (WADM), local wealth (aid ratio), and per student cost of education (earned base)--are multiplied to compute the basic subsidy which applies to all school districts. Other factors which affect the cost of education and need for state money do not affect all districts the same way. Three additional factors affect a school district's total basic instructional subsidy.

Operating small schools in sparsely settled areas generally creates special needs. Therefore, additional state money is provided these sparsely settled districts to meet these needs. State payments are added to the basic subsidy as a sparsity factor or modified sparsity factor.

The cost of educating a child in an urban area is generally greater than in a nonurban area. This cost is reflected in the basic instructional subsidy by the addition of a density factor or a super-density factor.

It generally costs more to educate a child from a low-income family

than it does to educate a child from a wealthier family. School districts with children from low-income families often have to provide more school services, more enrichment programs and remedial services. These additional costs are also reflected in the state's determination of need. A poverty factor or super poverty factor is added to the basic formula to determine a school district's basic instructional subsidy.

Each of these factors is described in more detail in the following chapters of this paper.

CHAPTER I

INTRODUCTION

This publication will provide the general public as well as the educational community a summarization of interpretations, policies and procedures established by the Pennsylvania Department of Education for the administration of the basic instructional subsidy.

The original basic instructional subsidy, which is the major aid provided by the Commonwealth to all school districts for the operation of the public schools, was enacted by the General Assembly (Act 580) in 1966 and was implemented during the 1966-67 school year. Since the basic plan was implemented, there have been numerous statutory changes made. Major legislative acts amending the subsidy were Act 96 in 1968, Act 88 in 1971, Act 125 in 1973 and Act 59 in 1977. Legislation providing minor changes were Act 132 in 1969, Act 273 in 1971 and Act 373 in 1972. Consequently, this document attempts to explain all interpretations, policies and procedures established by the Department of Education during the past 12 years and the numerous acts.

The reader will note that the major thrust of the basic instructional subsidy is to equalize educational opportunity for all children in the Commonwealth. Furthermore, it establishes a joint responsibility between the Commonwealth and the local school districts for the funding needed to accomplish this goal. It is imperative that this joint effort, supplemented by federal support, provide adequate funding for a quality educational system so that each and every child in the Commonwealth of Pennsylvania can gain the competencies needed for a happy and useful life.

CHAPTER II

AID RATIO

The cost of providing the basic education of the children of Pennsylvania is shared by the Commonwealth and the educating districts. Due to the disparity of the distribution of wealth available per child, an equalization based on ability to pay is established in the aid ratio. Prior to the passage of Act 59 the market value of taxable real estate was the sole measure of wealth. Act 59 adds a new dimension to the aid ratio in that personal income assumes a 40 per cent weighting in the computation of the basic subsidy payment. The elements of the aid ratio calculation are:

1. Real Property Market Value
   a. District (DMV)
   b. Statewide (SWMV)
2. Personal Income
   a. District (DPI)
   b. Statewide (SWPI)
3. Aid Ratio Weighted Average Daily Membership (AR WADM) as derived from the aid ratio average daily membership (AR ADM).

To reflect the equal contribution by state and district, the AR formulas are as follows:

$$\text{Market Value Aid Ratio} = 1.0000 - \left[\frac{\text{District Market Value per AR WADM}}{\text{Statewide Market Value per AR WADM}} \times .50 \right]$$

$$\text{Personal Income Aid Ratio} = 1.0000 - \left[\frac{\text{District Personal Income per AR WADM}}{\text{Statewide Personal Income per AR WADM}} \times .50 \right]$$

The data needed for the computation of the AR's and the sources of the data are as follows:

1. The State Tax Equalization Board (STEB), an independent state government agency, is required by law to certify both the taxable market value of real property of each school district and the statewide total annually. The certification is issued each June 30 and lists the previous calendar year's values. For example, on June 30, 1977, the STEB certifies the 1976 market values. In some instances, the local municipalities may grant preferential assessments on agricultural properties under the provisions of clean and green acts. For preferential assessments granted under the provisions of Act 515 (1969), the STEB uses the preferential assessment to establish the market value and includes these market values in the district and statewide totals. For preferential assessments granted

under the provisions of Act 319 (1974), as amended by Act 68 (1976), the STEB uses the preferential assessment to establish the market value for the district total, but to establish the statewide total market value, STEB uses the regular assessed value under Act 319. For the purpose of calculating the AR, the district market value, is calculated on the preferential assessment, and the statewide market value is calculated on the regular assessment.

2. Section 2501 (9.1) stipulates that a school district's personal income valuation for purposes of basic instruction subsidy reimbursement to a school district under subsections (D), (E), and (F) of Section 2502 and Section 2592 shall be the valuation of the total taxable income determined under Article III of the Act of March 4, 1971 (P.L. 6, No. 2), known as the "Tax Reform Code of 1971." The Secretary of Revenue will annually certify each district's personal income and the statewide total to the Secretary of Education.

3. The Weighted Average Daily Membership (WADM) is derived from attendance records compiled by the school districts and reported to the Department of Education. A member (student

in membership) is a student belonging to a district required to provide for his/her education. This would include students attending district schools, area vocational-technical schools, intermediate unit-operated special classes, and other districts in or out of state. District students attending nonpublic schools are not included, nor are those handicapped students attending approved private schools, for which the state pays 75 per cent of the tuition and/or maintenance.

Since the WADM is derived from the ADM, it is important that the reader first understand that the ADM of a school district is computed as follows:

> 1 member belonging 1 day equals 1 aggregate day of membership. Total aggregate days of membership divided by total days in session equals the ADM.

Because the school laws of Pennsylvania require a minimum of 180 days of instruction, the Department of Education has adopted a policy which creates two ADM's. They are:

1. Aid Ratio ADM (AR ADM)
2. Subsidy ADM (S ADM)

The AR ADM is calculated by dividing the total aggregate days by the actual days in session. The AR ADM is used for both the calculations of a district's AR and a district's entitlement to a special assistance grant on account of low income families (Super Poverty).

The S ADM, which is used to determine the basic payment and payments for sparsity and density, is calculated by dividing the aggregate days by 180 days or the actual days in session, whichever is greater.

The determination of WADM's (which applies to both ADM's described above) is accomplished by weighting the ADM's as follows:

ADM		Weight
Half-time Kindergarten	-	.5
Full-time Kindergarten	-	1.0
Elementary	-	1.0
Secondary	-	1.36

The secondary weighting of 1.36 is based on the assumption that it is more costly to provide a secondary program of education.

The secondary level may begin at the seventh grade as long as the local district provides an approved secondary curriculum.

The subsidy WADM's (SWADM's) certified in one year are computed by using the attendance data from the prior school year. For example, the SWADM's certified in 1976-77 are the product of the 1975-76 school year attendance records.

The AR WADM's represent a two year lag in attendance data. For example, the AR WADM's certified in 1976-77 are a product of the 1975-76 school year attendance records and are used for the computation of the AR for the 1977-78 payments. To further clarify this lag in attendance data, the following example is presented:

> The 1975 Market Value, certified by STEB on June 30, 1976, is combined with the 1975-76 AR WADM's. These data are certified by the Department of Education in January, 1977 to compute the MV AR/WADM applicable to payments to be made during the 1977-78 school year.

The 1975 Personal Income (PI) is certified by the Secretary of Revenue in 1977, and is combined with the 1975-76 AR WADM's. These data are certified by the Department of Education in January, 1977, to compute the PI AR to be used as part of the MV/PI AR applicable to payments to be made during the 1977-78 school year.

Each district's AR is in inverse proportion to its real property market value or personal income per AR WADM to the statewide average market value or personal income per statewide AR WADM. This equalizing process recognizes that not all districts have equal wealth in taxable real property or personal income to provide each child a basic education. The less wealthy receive the higher AR. The AR is really a mechanism to reduce the disparity in expenditures.

Sample Computations:

MARKET VALUE AID RATIO

Statewide Market Value/Aid Ratio WADM	(SWMV/AR WADM)	$30,000
#1 District Market Value/Aid Ratio WADM	(DMV/AR WADM)	$15,000
#2 District Market Value/Aid Ratio WADM	(DMV/AR WADM)	$30,000
#3 District Market Value/Aid Ratio WADM	(DMV/AR WADM)	$45,000

$$\text{MV AR} = 1.0000 - \left[\frac{\text{DMV/AR WADM}}{\text{SWMV/AR WADM}} \times .50\right]$$

District #1:

$$\text{MV AR} = 1.0000 - \left[\frac{15,000}{30,000} \times .50\right]$$

$$\text{MV AR} = 1.0000 - [.50 \times .50]$$

$$\text{MV AR} = 1.0000 - .2500$$

$$\text{MV AR} = .7500$$

District #2:

$$\text{MV AR} = 1.0000 - \left[\frac{30,000}{30,000} \times .50\right]$$

$$\text{MV AR} = 1.0000 - [1 \times .50]$$

$$\text{MV AR} = 1.0000 - .5000$$

$$\text{MV AR} = .5000$$

District #3:

$$\text{MV AR} = 1.0000 - \left[\frac{45{,}000}{30{,}000} \times .50\right]$$

$$\text{MV AR} = 1.0000 - \left[1.5 \times .50\right]$$

$$\text{MV AR} = 1.0000 - .7500$$

$$\text{MV AR} = .2500$$

PERSONAL INCOME AID RATIO

The personal income aid ratio (PI AR) is computed in much the same way simply by substituting district and statewide personal income per aid ratio WADM into the formula.

If, in either the MV AR or the PI AR, a district's percentage would drop below .1000, the AR will be certified at .1000.

After both the MV AR and the PI AR are computed, a MV/PI AR is computed for each district.

MARKET VALUE/PERSONAL INCOME AID RATIO

The MV/PI AR of a school district is calculated by adding 60 per cent of the MV AR to 40 per cent of the PI AR. Thus, the formula for combining the two AR's is:

$$\text{MV/PI AR} = (.6 \times \text{MV AR}) + (.4 \times \text{PI AR})$$

The following is a computational example which illustrates the MV/PI AR.

Sample Computation:

Statewide Market Value/Aid Ratio WADM	(SWMV/AR WADM)	$30,000
District Market Value/Aid Ratio WADM	(DMV/AR WADM)	$15,000
Statewide Personal Income/Aid Ratio WADM	(SWPI/AR WADM)	$20,000
District Personal Income/Aid Ratio WADM	(DPI/AR WADM)	$12,000

Computation of Market Value Aid Ratio:

$$MV\ AR = 1.0000 - \left[\frac{DMV/AR\ WADM}{SWMV/AR\ WADM} \times .50\right]$$

$$MV\ AR = 1.0000 - \left[\frac{15,000}{30,000} \times .50\right]$$

$$MV\ AR = 1.0000 - [.50 \times .50]$$

$$MV\ AR = 1.0000 - .2500$$

$$MV\ AR = .7500$$

Computation of Personal Income Aid Ratio:

$$PI\ AR = 1.0000 - \left[\frac{DPI/AR\ WADM}{SWPI/AR\ WADM} \times .50\right]$$

$$PI\ AR = 1.0000 - \left[\frac{12,000}{20,000} \times .50\right]$$

$$PI\ AR = 1.0000 - [.60 \times .50]$$

$$PI\ AR = 1.0000 - .3000$$

$$PI\ AR = .7000$$

Computation of Market Value/Personal Income Aid Ratio

$$\text{MV/PI AR} = \boxed{.6 \times \text{MV AR}} + \boxed{.4 \times \text{PI AR}}$$

$$\text{MV/PI AR} = \boxed{.6 \times .7500} + \boxed{.4 \times .7000}$$

$$\text{MV/PI AR} = .4500 + .2800$$

$$\text{MV/PI AR} = .7300$$

CHAPTER III

THE INSTRUCTIONAL SUBSIDY BASE

A. Components of the Base

Since Act 580 (1966) established the basic plan for the state support of public schools, there have been many statutory changes. The most significant of the changes were the adjustments to maximum reimbursable instruction expense. This amount at the inception was $400 per pupil in weighted average daily membership and was gradually increased to $750 per pupil in weighted average daily membership for the year beginning July 1, 1973. Act 59 (1977) has made substantive changes in the basic plan. Although the method of arriving at the cost per pupil in weighted average daily membership is retained, the method of calculating the basic grant is substantially changed. The component parts of the basic grant are identified and defined as follows:

1. Actual Instructional Expense per Weighted Average Daily Membership, (AIE/WADM), as defined in Section 2501 (11.1) of the Public School Code, is the quotient of the net actual instruction expense (AIE), a cost derived from the annual financial report of the school district, divided by the subsidy weighted average daily membership (SWADM) of the school district for the same year the costs were incurred.

The computation is made by first computing the total instruction expense. This total includes all expenditures of the general fund of the school district with the exception of the accounting series for health services, transportation, capital outlay and debt service, and any intersystem payments (outgoing transfers) to community colleges or technical institutes for postsecondary education.

To arrive at the net instructional expense, deduct the following revenues from the total instructional expense:

a. Local revenues representing tuition paid by parents.

b. State payments for special education, vocational education, student and adult driver education, vocational education of the unemployed, and matching funds for federally-funded programs.

c. All revenues received from the federal government, except for those provided under P.L. 81-874 for impacted aid or Section 7-A for loss of tax revenue due to natural calamities.

d. Incoming transfers from other districts, because they represent tuition payments or reimbursement of instructional expense to the educating district.

All state and federal revenues deducted from total instructional expense are further adjusted so that no deduction is made from the total instructional expense for that portion of the state or federal grant expended in an accounting category not originally included in the total instructional expense.

The formula is stated as: AIE/WADM = AIE ÷ SWADM

The SWADM used in the AIE/WADM calculation is derived from the subsidy ADM. That is the total aggregate days of membership divided by 180 days or the days in session, whichever is greater.

2. Section 2501 (12.1) added by Act 59 states that Median Actual Instruction Expense per Weighted Average Daily Membership (MAIE/WADM) shall be the AIE/SWADM for which an equal number of districts are above and below for that year. Section 2501 (12) states that the MAIE/WADM, rounded to the nearest $10, becomes the maximum amount of reimbursable instructional

expense. Section 2501 (12) also requires the Secretary of Education to certify the MAIE/WADM for the school year beginning July 1, 1976, and each year thereafter. Inasmuch as the median cannot be determined until all annual financial reports are analyzed, submission of the report by each school district--as soon as possible or no later than October 30--becomes a necessity.

3. A new factor in the basic grant computation is the measure of each district's tax effort. Section 2501 (9.2) refers to this as Equalized Millage (EM) and defines it as "the amount of local school taxes collected during the year for which reimbursement is being computed, divided by the most recent real property valuation of the school district." For example, a school district's equalized millage used in computing payments under the Section 2502 (D) basic grant and the 2502 (E) minimum payment for 1977-78 shall be based on all taxes collected during 1976-77 (year for which the district is being paid) divided by the most recent real property valuation of the school district (State Tax Equalization Board's certification of the 1976 school district market values as of June 30, 1977). Thus, each school district's equalized millage is computed as follows:

EM applicable for 1977-78 payments = 1976-77 Taxes Collected ÷ 1976 STEB MV

4. Median Equalized Millage (MEM), according to Section 2501 (9.3), shall be calculated annually by the Secretary of Education. This shall be an equalized millage for which an equal number of districts are above and below for that year.

The following factors are used to calculate each district's "base earned for reimbursement" (BER) described in Section 2501 (17.1), (I, II, III, IV and V):

.Actual Instructional Expense per Weighted Average Daily Membership (AIE/WADM)

.Median Actual Instructional Expense per Weighted Average Daily Membership (MAIE/WADM)

.Equalized Millage (EM)

.Median Equalized Millage (MEM)

Each district will be paid on the BER, or it's AIE/WADM, whichever is less. The maximum base earned for reimbursement in any year is the MAIE/WADM rounded to the nearest $10. A district can be paid only on this maximum BER if its equalized millage (EM) is 30 per cent or more above the median equalized millage (MEM), rounded to a whole mill. The maximum bases earned for reimbursement are determined as follows:

Base Earned for Reimbursement (BER)	Tax Effort
MAIE/WADM to nearest $10 (maximum BER)	30.0% above median
Maximum BER Less $50	15.0 -29.9% above median
Maximum BER Less $100	14.9% above to 14.9% below median
Maximum BER Less $150	15.0 - 29.9% below median
Maximum BER Less $200	30% or more below median

B. Formula for Payments on Account of Instruction

Section 2502 (D) has been changed by Act 59 (1977) to read as follows:

> For the school year 1976 and 1977 and each school year thereafter, each school district shall be paid by the Commonwealth on account of instruction of the district's pupils an amount to be determined by multiplying the Market Value/Personal Income Aid Ratio (MV/PI AR) times the Actual Instructional Expense per Subsidy Weighted Average Daily Membership (AIE/WADM) or by the Base Earned for Reimbursement (BER), whichever is lesser, and by the Subsidy Weighted Average Daily Membership (SWADM) for the district.

Thus, if a district's payment data were:

Market Value/Personal Income Aid Ratio (MV/PI AR)	.5000
Actual Instructional Expense per WADM (AIE/WADM)	$950.00
Base Earned for Reimbursement (BER)	920.00
Subsidy Weighted Average Daily Membership (SWADM)	4,000

The formula would be:

Payments on Account of Instruction = BER x MV/PI AR x SWADM

OR

$1,840,000 = $920 x .5000 x 4,000

However, if the district's Actual Instructional Expense per Weighted Average Daily Membership (AIE/WADM) had been $910, the computation would have been as follows:

Payment on Account of Instruction = AIE/WADM x MV/PI AR x SWADM

OR

$1,820,000 = $910 x .5000 x 4,000

C. Exceptions and modification of the basic grant program

As with all basic subsidy legislation, there are provisions to keep districts from incurring reductions from a prior base or dropping below a certain level of payment. These clauses are referred to by many terms. The ones prevalent in Act 59 are as follows:

1. The 1971-72 Guarantee. Section 2592 of the School Code provides that for each district a guarantee would be computed as follows:

   The school district's 1971-72 payments per pupil under 2502 (d), payments on account of instruction, or 2502 (e), the minimum payment per pupil, whichever is applicable, plus any amount paid under 2502 (g), the 1971-72 boot strap payment, divided by the district's 1970-71 WADM.

If under the provisions of Section 2502 (d) or 2502 (e) as amended by Act 59 (1977), a district's payment per pupil under these sections were to be less than the 1971-72 guaranteed payment per pupil, the 1971-72 gurantee will be effective.

2. The Hold Harmless Clause of Act 59 provides that any district that would receive a lesser payment under Section 2502 (d) base (e) minimum (f) density or sparsity and 2592, 1971-72 guarantee because of the application of the Market Value/Personal Income Aid Ratio (MV/PI AR) or the application of the Equalized Millage (EM) to the Base Earned for Reimbursement (BER) shall be held harmless. In such case the district will receive an amount no less than it would have received during 1977-78 under the provisions of the code prior to Act 59 passage.

This hold harmless clause is applicable only to payments made in 1977-78 for costs incurred in 1976-77.

3. The minimum payment provisions in Section 2501 (15) state that no district will receive less per pupil than--10 per cent of the district's actual cost of instruction (AIE/WADM) OR 10 per cent of the base earned for reimbursement (BER), whichever is less.

The minimum payment provisions are further expanded to read that if a district's actual instructional expenses per weighted average daily membership (AIE/WADM) is more than $200 below the base earned for reimbursement (BER), but its equalized millage (EM) is greater than 15 per cent below the median equalized millage (MEM), the district reimbursement will be $200 below the rounded median actual instructional expense per weighted average daily membership (MAIE/WADM). This is known as a "boot strap" clause. Unlike past boot straps, it is effective annually.

CHAPTER IV

DENSITY FACTOR

Density factor payments are special payments to school districts with high dense populations which generally cause higher expenditures per pupil. The authorization for these payments may be found in Section 2501 (16) of the Public School Code of 1949.

The following details the criteria used for district qualification for the several types of density payments:

1. Density Factor (Full Density)

   A density factor shall be assigned for those school districts that have a population exceeding 10,000 per square mile, as determined by the Secretary of Education from the most recent records of the United States Census Bureau. However, these qualification data must be forwarded to the department on the application for such payments.

2. Modified Density

   Any school district assigned a density factor for any prior year but which currently has a population of 10,000 per square mile or less shall be eligible to receive a modified density payment in ratio to its population per square mile to 10,000. Any reorganized school district which has, as a component, a former school district that had been assigned a density factor for any school year prior to the reorganization and has a population per square mile of 10,000 or less shall be eligible for a modified density payment in ratio to the new district's population per square mile to 10,000.

3. Density Factor for Large Districts (Super-density)

   Super-density shall be assigned to those qualifying school districts with a weighted average daily membership of 50,000 or more.

4. Density Factor for Large Districts (Modified Super-density)

   Modified super-density shall be assigned to those qualifying school districts with a weighted average daily membership of 50,000 or more in ratio to its population per square mile to 10,000.

Density factor payments are not made to school districts unless the proper forms for such payments are filed with the department. It is the responsibility of the chief school administrator to initiate the necessary action to determine the eligibility of the school district for these subsidy payments. To qualify for payments, school districts must complete, have notarized, and file all required forms with the Bureau of Educational Administration and Management Support Services. (These forms are available on request from the bureau.)

School district population is determined from the most recent records of the United States Census Bureau, including special censuses. Their area in square miles must be certified by a civil engineer licensed in Pennsylvania.

"Inland waters" are to be excluded in determining area in square miles to be eligible for density or modified density. Ponds, lakes, or similar areas, to be counted as inland waters, must each contain 40 acres or more; each stream and canal must be one-eighth mile or more wide to be counted. (This does not mean a cumulative area. Each individual pond, lake, etc. must be 40 acres or more to be counted as

inland water. The average distance across a stream or canal is to be used in determining width.)

All other areas are tabulated as land with the exception of "water other than inland water." Much of the water adjacent to states and falling under their jurisdiction does not belong to any particular county or municipality. School districts are not permitted to claim "water other than inland water" for density or sparsity computation purposes.

The following explanation will help the reader understand the three distinct computations relating to payments for density and modified density:

> Section 2592 of the School Code of 1949 provides that each school district shall be paid, in addition to any other subsidy to which it is entitled, an amount for density of population. This amount shall be paid on account of expenditures in excess of $400 per weighted average daily membership, not to exceed $250. To determine the amount to be paid, multiply the excess expenditures (for all districts in the Commonwealth this is now $250) by the market value/personal income aid ratio or by .375, whichever is greater, by the subsidy weighted average daily membership.
>
> A school district entitled to a payment for density of population may, in lieu of the above payment, elect to be paid for such additional excess expenditures exceeding $400 on the basis of a sum of $30 per subsidy weighted average daily membership.

School districts usually receive more subsidy using the former formula rather than multiplying $30 times the subsidy weighted average daily membership.

The following are sample calculations of the various methods of computing the different density payments:

1. Super-density - Population per square mile exceeding 10,000 and a weighted average daily membership in excess of 50,000

   General Population - 1,948,609

   Area In Square Miles - 129.714

   Actual Instructional Expenditure/WADM - 1,165.00

   Subsidy WADM 66,389.250

   Population/Square Mile = General Population ÷ Square Miles

   Population/Square Mile = 1,948,609 ÷ 129.714

   Population/Square Mile = 15,022

   Super-density Payment = AIE/WADM x .23 x SWADM

   Super-density Payment = $1,165 x .23 x 66,389.250

   Super-density Payment = $17,788,999.54

2. Modified super-density - Ratio of population per square mile to 10,000 and a weighted average daily membership in excess of 50,000

   General Population - 543,000

   Area In Square Miles - 62.250

   Actual Instructional Expenditure/WADM - $1,165.00

   Subsidy WADM - 66,389.250

   Population/Square Mile = General Population ÷ Square Miles

   Population/Square Mile = 543,000 ÷ 62.250

   Population/Square Mile = 8,722.8

   Modified Super-density Per cent = Population/Square Mile ÷ 10,000

   Modified Super-density Per cent = 8,722.8 ÷ 10,000

   Modified Super-density Per cent = .8723

Computation

Modified Super-density Payment = AIE/WADM x .23 x SWADM x Modified Super-density per cent

Modified Super-density Payment = $1,165 x .23 x 66,389.250 x .8723

Modified Super-density Payment = $15,517,344.30

3. Density options - Population per square mile exceeding 10,000

General Population - 60,000

Area In Square Miles - 5.000

Actual Instructional Expenditure/WADM - $1,000.00

Market Value/Personal Income Aid Ratio - .3425

Subsidy WADM's - 14,578.400

Population/Square Mile = General Population ÷ Square Miles

Population/Square Mile = 60,000 ÷ 5.000

Population/Square Mile = 12,000

Computation 1

Density Payment = AIE/WADM - $400 (maximum excess $250) x MV/PI AR x SWADM

Density Payment = $250 x .3425 x 14,578.400

Density Payment = $1,248,348.39

Computation 2

Density Payment = AIE/WADM - $400 (maximum excess $250) x .375 x SWADM

Density Payment = $250 x .375 x 14,578.400

Density Payment = $1,366,725.00

Computation 3

Density Payment = SWADM x $30

Density Payment = 14,578.400 x $30

Density Payment = $437,352.00

4. Modified density options - Ratio of population per square mile to 10,000

General Populations - 24,000

Area In Square Miles - 3.000

Actual Instructional Expenditure/WADM - $1,200.00

Market Value/Personal Income Aid Ratio - .4350

Subsidy WADM - 7,986.205

Population/Square Mile = General Population ÷ Square Miles

Population/Square Mile = 24,000 ÷ 3.000

Population/Square Mile = 8,000

Modified Density Per cent = Population/Square Mile ÷ 10,000

Modified Density Per cent = 8,000 ÷ 10,000

Modified Density Per cent = .8000

Computation 1

Modified Density Payment = AIE/WADM - $400 (maximum excess $250) x MV/PI AR x SWADM x Modified Density Per cent

Modified Density Payment = $250 x .4350 x 7,986.205 x .8000

Modified Density Payment = $694,799.84

Computation 2

Modified Density Payment = AIE/WADM - $400 (maximum excess $250) x .375 x SWADM x Modified Density Per Cent

Modified Density Payment = $250 x .375 x 7,986.205 x .8000

Modified Density Payment = $598,965.38

Computation 3

Modified Density Payment = SWADM x $30 x Modified Density Per Cent

Modified Density Payment = 7,986.205 x $30 x .8000

Modified Density Payment = $191,668.92

CHAPTER V

SPARSITY FACTOR

Sparsity factor payments are special payments to school districts that are sparsely populated and which as a result have special needs. The authorization for these payments can be found in Section 2501 (17) of the Public School Code of 1949.

The following gives the criteria used for district qualification for either sparsity or modified sparsity payment:

1. Sparsity Factor

   A sparsity factor shall be assigned for those school districts that have a population of less than 50 per square mile, as determined by the Secretary of Education from the most recent records of the United States Census Bureau.

2. Modified Sparsity

   School districts that have a population of at least 50 per square mile but less than 100 per square mile, as determined by the Secretary of Education from the most recent records of the Census Bureau, shall qualify for a modified sparsity payment. Sparsity factor payments are not made to school districts unless the proper forms for such payments are filed with the department. It is the responsibility of the chief school administrator to initiate the necessary action to determine the eligibility of the school district for these subsidy payments. To qualify for payments, school districts must complete, have notarized, and file all required forms with the Bureau of Educational Administration and Management

Support Services. (These forms are available on request from the bureau.)

School district population is determined from the most recent records of the United States Census Bureau, including special censuses. Their area in square miles must be certified by a civil engineer licensed in Pennsylvania. Inland waters are to be included in area in square miles. Please refer to Chapter IV for the definitions of "inland water" and "water other than inland water."

The following explanation will help the reader understand the three distinct computations that relate to payments for sparsity and modified sparsity:

> Section 2592 of the School Code of 1949 provides that each school district shall be paid, in addition to any other subsidy to which it is entitled, an amount for sparsity of population. This amount shall be paid for expenditures in excess of $400 per subsidy-weighted average daily membership, not to exceed $250. To determine the amount to be paid, multiply the excess expenditures by the market value/personal income aid ratio or by .375, whichever is greater, by the number of subsidy-weighted average daily membership.
>
> A school district entitled to additional payment for sparsity of population may, in lieu of the above payment, elect to be paid for such additional excess expenditures exceeding $400 on the basis of a sum of $30 per subsidy-weighted average daily membership.

School districts usually receive more subsidy using the former formula rather than multiplying $30 times the subsidy-weighted average daily membership.

Modified sparsity payments are calculated by subtracting from 2.00 the quotient of the district's population per square mile divided by 50 and multiplying the amount to which the district would have been entitled had its population per square mile been less than 50.

The following are sample calculations of the methods used to calculate sparsity and modified sparsity payments:

1. Sparsity options - Population per square mile of less than 50

General Population - 8,650

Area In Square Miles - 344.200

Actual Instructional Expenditure/WADM - $850.00

Market Value/Personal Income Aid Ratio - .7389

Subsidy WADM's - 2,270.234

Population/Square Mile = General Population ÷ Square Miles

Population/Square Mile = 8,650 ÷ 344.200

Population/Square Mile = 25.1

Computation 1

Sparisty Payment = AIE/WADM - $400 (maximum excess $250) x MV/PI AR x SWADM

Sparisty Payment = $250 x .7389 x 2,270.234

Sparsity Payment = $419,380.33

Computation 2

Sparsity Payment = AIE/WADM - $400 (maximum excess $250) x .375 x SWADM

Sparsity Payment = $250 x .375 x 2,270.234

Sparsity Payment = $212,834.44

Computation 3

Sparsity Payment = SWADM x $30

Sparsity Payment = 2,270.234 x $30

Sparsity Payment = $68,107.02

2. Modified sparsity options - Population of at least 50 per square mile but less than 100 per square mile

General Population - 6,415

Area In Square Miles - 85.300

Actual Instructional Expenditure/WADM - $825.00

Market Value/Personal Income Aid Ratio - .6451

Subsidy WADM's - 1,408.825

Population/Square Mile = General Population ÷ Square Miles

Population/Square Mile = 6,415 ÷ 85.300

Population/Square Mile = 75.2

$$\text{Modified Sparsity Per cent} = 2.00 - \left[\text{Population/Square Miles} \div 50\right]$$

$$\text{Modified Sparsity Per cent} = 2.00 - \left[75.2 \div 50\right]$$

Modified Sparsity Per cent = 2.00 - 1.50

Modified Sparsity Per cent = .50

Computation 1

Modified Sparsity Payment = AIE/WADM - $400 (maximum excess $250) x MV/PI AR x SWADM x Modified Sparsity Per cent

Modified Sparsity Payment = $250 x .6451 x 1,408.825 x .50

Modified Sparsity Payment = $113,607.65

Computation 2

Modified Sparsity Payment = AIE/WADM - $400 (maximum excess $250) x .375 x SWADM x Modified Sparsity Per cent

Modified Sparsity Payment = $250 x .375 x 1,408.825 x .50

Modified Sparsity Payment = $66,038.67

Computation 3

Modified Sparsity Payment = SWADM x $30 x Modified Sparsity Per cent

Modified Sparsity Payment = 1,408.825 x $30 x .50

Modified Sparsity Payment = $21,132.38

CHAPTER VI

PAYMENTS ON ACCOUNT OF POVERTY

Each school district in the Commonwealth receives payments on account of low-income families. These payments are computed for all districts, except districts of the first class and of the first class A, by multiplying the number of children of low-income families in the district (commonly called poverty pupils) by $200. Payments are computed for districts of the first class (Philadelphia) and of the first class A (Pittsburgh) by multiplying the number of poverty pupils in the district by $165.

Children of low-income families are defined as follows: (1) children aged 5 to 17 years, inclusive, in the district of families having an annual income of less than $2,000; (2) children aged 5 to 17, inclusive, in the district of families receiving grants in excess of $2,000 from the Commonwealth for payments on account of dependent children under Title IV of the Federal Social Security Act. The latter are commonly called Aid to Families of Dependent Children (AFDC's).

The number of children for each district in category (1) above is determined from the 1960 or the 1970 U.S. census, whichever is greater. The number of children for each district in category (2) above is determined from the records of the Pennsylvania Department of Public Welfare. Since the case load fluctuates constantly, the number of AFDC's for each district is determined by including all eligible children in cases on the records during the month of October of the school year preceding the year for which the payments are made. Each district is guaranteed that the number of AFDC's shall be no less than the number used for poverty payments for the 1972-73 school year.

Additional special assistance grants on account of low-income families are awarded to school districts with high percentages of poverty pupils. These grants are commonly called super-poverty payments. Districts are awarded these grants based upon the percentages of poverty pupils shown in the following table:

Percentage of Poverty Pupils in Aid Ratio Average Daily Membership	Grant Per Poverty Pupil
15-19.9	$ 30.00
20-24.9	60.00
25-29.9	85.00
30-34.9	135.00
35 and over	150.00

The percentage of poverty pupils in each school district is determined each year by dividing the number of eligible poverty pupils by the number of pupils in aid ratio average daily membership in the district during the school year for which the grants are determined. Districts having less than 15 per cent poverty pupils receive no grant.

CHAPTER VII

ONE TIME PAYMENT

Each school district is guaranteed to receive at least a 6 per cent increase (subject to the $100,000,000 limit) over the amount it received during the 1976-77 school year under the Public School Code, Section 2502 (D), (E), and (F), sections 2502.3, 2502.4 and 2592. This increase is effective for payments made during 1977-78 only.

Examples:

School District A

1.	Amount received during the 1976-77 school year	$1,000,000
2.	Computation of amount due during the 1977-78 school year under provisions of Act 59	1,100,000
3.	Increase over 1976-77 school year payments	100,000
4.	6% of 1976-77 payment (line 1)	60,000
5.	Greater of line 3 or 4	100,000
6.	Subsidy entitlement 1977-78 under Act 59	1,100,000

The actual increase of $100,000 is used in the computation since it is not less than 6 per cent of the amount received during the 1976-77 school year.

School District B

1.	Amount received during the 1976-77 school year	$1,000,000
2.	Computation of amount due during the 1977-78 school year under provisions of Act 59	1,050,000
3.	Increase over 1976-77 school year	50,000
4.	6% of 1976-77 payment (line 1)	60,000
5.	Greater of line 3 or 4	60,000
6.	Subsidy entitlement 1977-78 under Act 59	1,060,000

$60,000 is used in the computation since the actual increase of $50,000 is less than 6 per cent of the amount received during the 1976-77 school year.

School District C

1.	Amount received during the 1976-77 school year	$1,000,000
2.	Computation of amount due during the 1977-78 school year under provisions of Act 59	950,000
3.	Increase over 1976-77 school year	None
4.	6% of 1976-77 payment (line 1)	60,000
5.	Greater of line 3 or 4	60,000
6.	Subsidy entitlement 1977-78 under Act 59	1,060,000

$60,000 is used in the computation since there is an actual decrease of $50,000, less than the required 6 per cent increase over the amount received during the 1976-77 school year.

As a result of the $100,000,000 limit (referred to as the cap), certain school districts may not receive the 6 per cent increase over their 1976-77 subsidy payment. The following example illustrates a district not receiving a subsidy increase of 6 per cent over the 1976-77 payment.

Steps

1. 1976 Subsidy + 6% Increase = "Guranateed" 1977-78 Subsidy
   $237,054 + $14,223 = $251,277

2. 1977-78 Subsidy Prior to Act 59 = $222,757

3. $251,277 "Guaranteed" 1977-78 Subsidy
   -222,757 1977-78 Subsidy Prior to Act 59
   $ 28,520 Increase Due to Provisions of Act 59 Disregarding the $100 M Limitation

4. $ 28,520 Increase Due to Provision of Act 59 Disregarding the $100 M Limitation
   x .394 Per cent Increase Payable Due to $100 M Limitation
   $ 11,237 Increase Due to Provisions of Act 59 After Limitation is Applied

5. $222,757 1977-78 Subsidy Prior to Act 59
   + 11,237 Increase Due to Provisions of Act 59 After Limitation is Applied
   $233,994 Total 1977-78 Subsidy Payable Under Act 59

6. $251,277 "Guaranteed" 1977-78 Subsidy
   -233,994 Total 1977-78 Subsidy Payable Under Act 59
   $ 17,283 Amount the District Will Not Receive Due to the $100 M Limitation Overriding the 6% "Guaranteed" Increase

CHAPTER VIII

LIMITATION OF CERTAIN PAYMENTS

Section 2502.5 of the Public School Code imposes a limit on the total amount school districts may receive under sections 2502 (D), (E), (F), 2502.3, 2502.4, and 2592. The amount may not be in excess of 100 per cent of the total approved reimbursable instructional expenditures (AIE) as described in Chapter III of this publication.

CHAPTER IX

LIMITATION OF INCREASE

Increased costs resulting from subsidy formula changes in Act 59 (1977) over prior subsidy provisions cannot exceed $100,000,000 for the 1976-77 school year, payable 1977-78, and $150,000,000 for the 1977-78 school year, payable 1978-79, and each school year thereafter. Prior subsidy provisions, in all cases, means subsidy provisions in effect prior to the passage of Act 59.

Additional payments provided to intermediate units under the provisions of Act 59 are to be considered when computing the $100,000,000 increase limitation.

If the amount appropriated for any fiscal year is not sufficient to pay in full the total amounts that all qualified school districts are entitled to receive under Act 59 for such year, the allocations to such school districts shall be proportionately reduced by the percentage of difference between the amount needed and the amount appropriated. This shall be done to the extent necessary to bring the aggregate of such allocations within the limits of the amount appropriated.

For example, if the increase in subsidy to the school districts and intermediate units under the provisions of Act 59 over and above prior subsidy law was $253,000,000, and only $100,000,000 is appropriated by the Legislature, then the increase would be distributed on a 39.5 per cent prorated basis ($100,000,000 ÷ $253,000,000).

CHAPTER X

SAMPLE SUBSIDY COMPUTATION

This chapter shows an example of the various subsidy computations necessary in calculating the 1977-78 basic instructional subsidy of a typical rural Pennsylvania school district.

Basic Data

1975 District Market Value/Aid Ratio WADM	$21,613
1975 Statewide Market Value/Aid Ratio WADM	$26,374
1975 District Personal Income/Aid Ratio WADM	$13,027
1975 Statewide Personal Income/Aid Ratio WADM	$16,992
Local Taxes Collected, 1976-77	$952,800.00
1976 District Market Value	$39,539,100.00
District Equalized Mills, 1976-77	24.1
Median Equalized Mills (Statewide), 1976-77	27.3
Reimbursable Instructional Expenditures, 1976-77	$1,584,941.00
Subsidy Weighted Average Daily Membership, 1976-77	1,868.000
AIE/WADM, 1976-77	$848.47
Median AIE/WADM (Statewide), 1976-77	$1,020.00
1971-72 Guarantee/WADM	$337.67
General Population	5,918
Area in Square Miles	75.000
General Population/Square Mile	78.9
Poverty Pupils, 1976-77	198
Subsidy Payment, 1976-77	$827,881
Guaranteed Subsidy, 1977-78 (6% Increase over 1976 Subsidy Payment)	$877,553
Per Cent of Increase Payable Due to Limitation	.39448803

I. Computation of Market Value/Personal Income Aid Ratio Under Act 59

$$\text{Market Value Aid Ratio} = 1.0000 - \left[\frac{\text{District Market Value/AR WADM}}{\text{Statewide Market Value/AR WADM}} \times .5 \right]$$

$$\text{MV AR} = 1.0000 - \left[\frac{21,613}{26,374} \times .5 \right]$$

$$\text{MV AR} = 1.0000 - \left[.8194 \times .5 \right]$$

$$\text{MV AR} = 1.0000 - .4097$$

$$\text{MV AR} = .5903$$

$$\text{Personal Income Aid Ratio} = 1.0000 - \left[\frac{\text{District Personal Income/AR WADM}}{\text{Statewide Personal Income/AR WADM}} \times .5\right]$$

$$\text{PI AR} = 1.0000 - \left[\frac{13,027}{16,992} \times .5\right]$$

$$\text{PI AR} = 1.0000 - \left[.7666 \times .5\right]$$

$$\text{PI AR} = 1.0000 - .3833$$

$$\text{PI AR} = .6167$$

$$\text{Market Value/Personal Income Aid Ratio} = \left[.6 \times \text{MV AR}\right] + \left[.4 \times \text{PI AR}\right]$$

$$\text{MV/PI AR} = \left[.6 \times .5903\right] + \left[.4 \times .6167\right]$$

$$\text{MV/PI AR} = .3541 + .2466$$

$$\text{MV/PI AR} = .6007$$

II. Computation of the Base Under Act 59

$$\text{District Equalized Mills} = \frac{\text{Local Taxes Collected, 1976-77}}{\text{1976 District Market Value}}$$

$$\text{EM} = \frac{\$952,800.00}{\$39,539,100.00}$$

$$\text{EM} = 24.1$$

Since the district's EM is 24.1, it qualifies for the middle level of reimbursement (14.9% above the median to 14.9% below the median). Therefore, the district's BER is $920, due to the median AIE/WADM of $1,020.

District AIE/WADM = $\frac{\text{Reimbursable Instructional Expenditures, 1976-77}}{\text{Subsidy WADM, 1976-77}}$

AIE/WADM = $\frac{\$1,584,941.00}{1,868.000}$

AIE/WADM = $848.47

Base Subsidy = AIE/WADM x MV/PI AR x SWADM

Base Subsidy = $848.47 x .6007 x 1,868.000

Base Subsidy = $952,082.24

III. Computation of Modified Sparsity Under Act 59

General Population/Square Mile = $\frac{\text{General Population}}{\text{Square Miles}}$

General Population/Square Mile = $\frac{5,918}{75.000}$

General Population/Square Mile = 78.9

Modified Sparsity Fraction = $2.00 - \left[\frac{\text{Pop./Square Mile}}{50}\right]$

Modified Sparsity Fraction = $2.00 - \left[\frac{78.9}{50}\right]$

Modified Sparsity Fraction = 2.00 - 1.58

Modified Sparsity Fraction = .42

Modified Sparsity Payment = $250 x .6007 x 1,868.000 x .42

Modified Sparsity Payment = $117,825.22

IV. Computation of Poverty Payment Under Act 59

Poverty Payment = Poverty Pupils x $200

Poverty Payment = 198 x $200

Poverty Payment = $39,600

V. Computation of Total 1977-78 Subsidy Under Act 59--Without Limitation on Increase

$ 952,082.24	Base
117,825.22	Modified Sparsity
39,600.00	Poverty Payment
$1,109,507.46	Total

VI. Computation of the Base Prior to Act 59

Base Subsidy = $750 x MV AR x SWADM

Base Subsidy = $750 x .5903 x 1,868.000

Base Subsidy = $827,019.62

VII. Computation of Modified Sparsity Prior to Act 59

Did not qualify

VIII. Computation of Poverty Payment Prior to Act 59

Poverty Payment = Poverty Pupils x $165

Poverty Payment = 198 x $165

Poverty Payment = $32,670

IX. Computation of Total 1977-78 Subsidy Prior to Act 59

$827,019.64	Base
32,670.00	Poverty Payment
$859,689.64	Total

X. Computation of Increase in Subsidy Due to Provisions of Act 59 Without Limitation on Increase

$1,109,507.46	Total Subsidy Under Act 59 Without Limitation
859,689.64	Total Subsidy Prior to Act 59
$249,817.82	Increase Due to Act 59 Without Limitation

XI. Computation of Increase Payable 1977-78 Under Act 59 Due to $100 M Increase Limitation

$249,817.82	Increase Due to Act 59 Without Limitation
.39448803*	Per Cent Increase Payable
$ 98,550.14	Increase Payable After Limitation Applied

* Estimated per cent. This per cent will vary from year to year.

XII. Computation of Total Subsidy Payable 1977-78 Under Act 59

$859,689.64	Total 1977-78 Subsidy Prior to Act 59
98,550.14	Increase Payable 1977-78 Under Act 59
$958,239.78	Total Subsidy Payable 1977-78 Under Act 59

CHAPTER XI

THE BUDGETING PROCESS

Section 687 of the Public School Code requires the board of directors of each school district in the Commonwealth to adopt annually a school budget for the following school year. Included in the budget must be estimates of all state subsidies to be received during the following fiscal year.

Since the passage of Act 59 in 1977, school district officials will find it virtually impossible to make a reliable estimate of the subsidy to be credited to the basic instructional subsidy account, without reliable estimates of both the median local school district tax effort in equalized mills and the median school district instructional expenditures per WADM. The Pennsylvania Department of Education will annually provide estimates of both factors to help district officials with this difficult problem.

In the fall of each year the budgeted local tax collections in the general fund budgets of the school districts will be compiled; and the equalized mills will be determined by using the latest available school district market values certified by the State Tax Equalization Board. Both the budgeted tax collections and the equalized mills for all districts will be published in a booklet, A Measure of Local Effort. A copy of this publication will be forwarded to each school district each December.

These data can be used by district officials to determine the level of reimbursement for which their district might qualify. The obvious limitations of these data are that (1) tax collections are budgeted, not actual; (2) market value data, though they are the latest available,

are not for the proper year, since the market values to be used in the actual computations are not certified until approximately six months after the publication is distributed.

Late each spring (the budgeting period for most school districts) school district officials will be asked to send to the Department of Education estimates of reimbursable instructional expenditures and subsidy weighted average daily memberships for the upcoming school year. By using these estimates the department will be able to calculate the estimated median school district instructional expenditures per WADM and, in turn, determine the estimated reimbursable levels for subsidy entitlements on account of that year's operation. This information will be published and forwarded to each school district.

By using the estimated reimbursement levels along with the budgeted tax data described above, district officials can make reasonable budget estimates of the basic instructional subsidy that their district will receive from the state. The success of this procedure will depend on the accuracy of the estimated reimbursable instructional expenditures, estimated weighted average daily memberships, and budgeted tax collection data sent to the department by school officials of the Commonwealth.

GLOSSARY OF TERMS

AFDC's (Aid to Families of Dependent Children) - children in families receiving annual grants of $2,000 or more under Title IV of the Federal Social Security Act.

ADM (Average Daily Membership) - aggregate number of school days represented by all children on active rolls divided by the number of days the school is in session.

AIE (Actual Instructional Expense) - a cost defined in Section 2501 (11.1) of the Public School Code and derived from data on the school district's annual financial report. See page 17 for a more detailed explanation.

AIE/WADM (Actual Instructional Expense/Weighted Average Daily Membership) - the quotient of the AIE divided by the S/WADM.

AR (Aid Ratio) - a decimal fraction--representing the state's share of total reimbursable cost in a given school district--obtained by dividing a district's measure of wealth per SWADM by the statewide total of the same measure of wealth per SWADM and subtracting 0.50, times the quotient from 1.0000.

AR ADM (Aid Ratio Average Daily Membership) - aggregate number of school days represented by all children on active rolls divided by the number of days the school is in session. This AR ADM is used for the calculation of the aid ratio and super poverty payments.

AR WADM (Aid Ratio Weighted Average Daily Membership) - the assignment of weight by grade level to the aid ratio average daily membership (AR WADM).

BER (Base Earned for Reimbursement) - the maximum base on which any district may be paid basic instruction subsidy. The maximum BER in a year is stated as the MAIE/WADM, rounded to the nearest $10. Four additional bases earned for reimbursement, declining in increments of $50, are based on district tax efforts stated as percentage categories above, around, and below the median equalized millage (MEM).

Boot Strap - a special subsidy paid to school districts by advancing the district's reimbursement level to the lowest BER, which may be in excess of the AIE/WADM if the district's tax effort is greater than 15 per cent below the MEM.

Density Factor - a special payment to school districts with general populations in excess of 10,000 per square mile.

DMV (District Market Value) - the market value of the school district's taxable real property as certified by the State Tax Equalization Board.

DPI (District Personal Income) - the total of the personal income reported on Pennsylvania Personal Income Tax returns and credited to a school district's total by reason of the taxpayer's residence in the district as certified by the Secretary of Education.

EM (Equalized Millage) - the amount of local tax revenue reported during the year for which subsidy reimbursement is being computed, divided by the most recent real property market valuation of the school district.

Hold Harmless Clause - a subsidy provision providing that a district will not suffer a reduction in subsidy under one or more sections of the law due to the passage of the new subsidy provisions.

Inland Water - ponds, lakes, streams, etc. if each such area covers 40 acres or more. Streams and canals must be one-eighth of a mile or more in width. The average distance across a stream or canal is defined as the width.

MV AR (Market Value Aid Ratio) - aid ratio computed on the basis of the market value of taxable real property as the measure of wealth.

MV/PI AR (Market Value/Personal Income Aid Ratio) - aid ratio computed on a combination of school district market value of taxable real property and Pennsylvania residents' personal income.

Modified Density - a special payment to school districts that (1) received a density payment for any school year prior to 1969-70, and for any school year thereafter, and is determined to have a general population of 10,000 per square mile or less, or (2) received a density payment for any school year, and as a result of a merger with one or more other school districts becomes a part of a new school district determined to have a general population of 10,000 per square mile or less.

Modified Sparsity Factor - a special payment to school districts with a general population of at least 50 per square mile but less than 100 per square mile.

Modified Super-density - a special payment to school districts which received a super-density payment for any school year prior to 1969-70, and for any school year thereafter, and is determined to have a general population of 10,000 per square mile or less.

MAIE/WADM (Median Actual Instructional Expense/Weighted Average Daily Membership) - AIE/WADM for which an equal number of school district AIE/WADM are above and below in any one year.

MEM (Median Equalized Millage) - the millage point at which an equal number of school district equalized millages are above and below in any one year.

PI AR (Personal Income Aid Ratio) - aid ratio computed on the basis of Pennsylvania residents' personal income as the measure of wealth.

Poverty Payment - a special payment to school districts on account of pupils from low-income families. Low-income families are those with annual incomes of less than $2,000 or those having dependent children under Title IV of the Federal Social Security Act and which receive an annual grant of $2,000 or more.

Sparsity Factor - a special payment to school districts with a general population of less than 50 per square mile.

STEB (State Tax Equalization Board) - an independent agency legally required to certify the individual and statewide school district market value of taxable real property.

SWMV (Statewide Market Value) - the total market value of taxable real property of all school districts as certified by the State Tax Equalization Board.

SWPI (Statewide Personal Income) - the total personal income of Pennsylvania residents as determined from Pennsylvania Personal Income Tax returns as certified by the Secretary of Revenue.

S ADM (Subsidy Average Daily Membership) - aggregate number of school days represented by all children on the active rolls divided by 180 days or the actual days of instruction, whichever is greater. The S ADM is used for the basic payment and sparsity and density payments.

S WADM (Subsidy Weighted Average Daily Membership) - the assignment of weight by grade level to the subsidy average daily membership (S ADM).

Super-density - a special payment to school districts with a general population in excess of 10,000 per square mile and an aid ratio WADM in excess of 50,000.

Water Other Than Inland Water - considered to be water adjacent to the states and under their jurisdiction but not belonging to any particular county or municipality.

WADM (Weighted Average Daily Membership) - the assignment of weight by grade level to the average daily membership (ADM).